

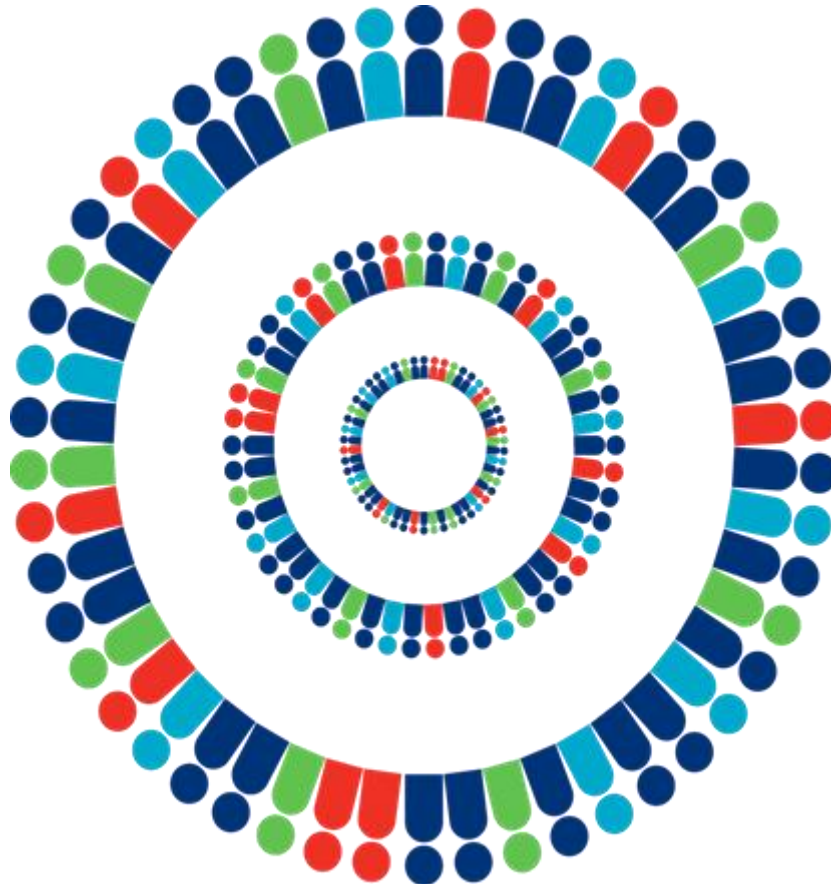
Payneham Memorial Swimming Centre

City of Norwood Payneham & St Peters

Prudential Management Report

May 2023 – Updated December 2023





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EXECUTIVE SUMMARY

Abbreviations

Annual Business Plan	ABP
City of Norwood Payneham & St Peters	NPSP
Local Government Finance Authority	LGFA
Local Government Price Index	LGPI
Long-Term Financial Plan	LTFP

Introduction and Description of Project

The Payneham Memorial Swimming Centre Redevelopment is a significant project for the City of Norwood Payneham & St Peters (NPSP). The redevelopment will transform the Payneham Memorial Swimming Centre into a regional aquatic facility for swimmers, families, and the wider community.

The scope of the Project includes:

- demolition of the existing swimming centre building, pools (outdoor 50 metre, learner's and wading) and associated infrastructure;
- a new swimming centre building with:
 - an entrance foyer and reception area;
 - a staff office area and breakroom;
 - a first aid room;
 - a kiosk/café;
 - male, female and unisex all-access changerooms with showers, toilets and lockers;
 - multipurpose rooms for swimming club and community use;
 - storage areas; and
 - roof mounted solar panel system;
- an 11 x 20 metre indoor learner's pool;
- an 8 lane, 25 metre indoor lap pool;
- a 10 lane, 50 metre outdoor lap pool;
- a 14-metre-tall tower with two outdoor waterslides;
- an outdoor, zero-depth waterplay area;
- a plant room with pump and filtration systems; and
- shade shelters, picnic seating and barbeques.

The current approved budget is \$24m, of which \$5.6m is to be contributed by the State Government through the Local Government Infrastructure Partnership Program. Current economic, building industry and supply conditions may result in higher costs, which will only be known once tenders are received. See the section 'Project Financial Impact' in this report for discussion on potential costs.

December 2023 Update. Tenders received by Council have come in at range up to \$50m. The estimated cost of the project with contingency, utility upgrades professional fees, CITB levy etc indicate a revised cost of the project to \$56m. At the time of this update the tender had not been finalised.

Purpose and Scope of this Report

The *Local Government Act 1999* (The Act), Section 48 (S48) *Prudential Requirements for certain activities* applies. This section sets out that Councils must have certain policies and procedures in place relating to prudential management and obtain a report that addresses prudential issues where the expected capital cost of the Project over the ensuing five years is likely to exceed \$4,000,000 (indexed).

This report addresses the prudential issues set out within the Act concerning the prudential considerations for this Project.

Appendix A sets out the complete legislation requirements.

Summary of Findings

The following table provides a summary of the assessment of the Project against the requirements of S48 of the *Local Government Act 1999*. The comments are rated and reported as being Compliant (C) in green, Possibility for Improvement (IP) in yellow or Recommended Actions (RA) in orange.

Report Headings	Legislation: Local Government Act 1999	Comments	
		Rating	Description
		C	The Project is compliant with the relevant section of the Act, or there is no issue.
		IP	Improvement possibility, or actions not yet complete.
		RA	Recommended actions to improve compliance, or an element of risk to consider.
Prudential Policies	S48 (aa1)	C	The Council's Prudential Policy is current and gives guidance on when the preparation of a Prudential Report is required.
	S48 (a1)	C	There are currently no regulations relating to S48 of the <i>Local Government Act 1999</i> .
Requirement for a Prudential Report	S48 (1) & S48 (3) & S48 (6d)	C	The Project is not for road construction, maintenance or drainage works and is above the Prudential threshold. Therefore, a Prudential Report is required.
Relationship to Strategic Management Plans	S48 (2)(a)	C	The Project has a sound relationship with the Council's Strategic Plan and other Council plans and strategies.
Development Plan	S48 (2)(b)	C	Updated December 2023 Development approval has been obtained.
Economic Impact	S48 (2)(c)	C	<ul style="list-style-type: none"> The redevelopment will have a significant economic impact for the area. There is not expected to be any negative impact on businesses in the area during construction, nor any impact on competing businesses in the area once open and operating. The Council is following its Procurement Policy and Guidelines.
Consultation	S48 (2)(d)	C	The Council undertook consultation six years ago for the Swimming Centres Long Term Strategy, which might mean some elements may not be current. However, the Swimming Centre redevelopment was included in the current Annual Business Plan consultation.
Project Costs		Noted	An experienced Cost Consulting firm has estimated project costs.

Report Headings	Legislation: Local Government Act 1999	Comments	
		Rating	Description
		C	The Project is compliant with the relevant section of the Act, or there is no issue.
		IP	Improvement possibility, or actions not yet complete.
		RA	Recommended actions to improve compliance, or an element of risk to consider.
	Not included as an assessment in S48 but included as integral component of assessing the financial viability of the project	Noted	Council has received tenders that indicate a revised construction cost of \$50m. The estimated total project cost inclusive of construction, contingency, utility upgrades and connections allowance, CITB levy and professional fees is approximately \$56m
Revenue Projections and Risk	S48 (2)(e)	C	The Council has successfully secured grant funding of \$5.6m. Market trends and competition have been analysed and considered, and there is ongoing historical income from the pools. This reduces the likelihood of diminished ongoing revenue. Updated December 2023 Council staff have commenced modelling likely annual operational income from the pool. Council has also commenced reviewing its LTFP. Estimated annual operational income has been included in the draft LTFP.
Recurrent and Whole-of-Life Costs	S48 (2)(f) & Project Costs	C	Recurrent costs have been identified
		RA	Updated December 2023 Council is currently reviewing its LTFP and depreciation, interest costs and estimated operational costs are included in the draft LTFP.
The Financial Viability of the Project	S48 (2)(g)	RA	Updated December 2023 The draft LTFP currently being considered by Council includes the pool cost of \$50m, associated depreciation, interest and estimated annual operational income and expenditure. The draft LTFP shows: The Operational Surplus Ratio will go into deficit in 2026 but return to a break-even position in 2027 and improve from that point. The Net Financial Liabilities Ratio will peak at 151% in 2026 and reduce from that point onwards reaching Council's target of 100% by 2032
Risks	S48 (2)(h)	RA	Updated December 2023: The Risk Register was updated in November 2023. The Project Risk Register is reasonable and aligns with the Council's Risk Framework. There are a number of risks that remain at a high or extreme level with controls in place. The majority of these relate to the higher tender prices received and the need to revise the LTFP. Most of these will be resolved once Council adopts a revised LTFP. The other higher or extreme risks need to have continual monitoring including regular reporting to the CEO.
Project Management	S48 (2)(i)	C	The Project is being managed by Council staff who have professional qualifications and experience in Architecture,

Report Headings	Legislation: Local Government Act 1999	Comments	
		Rating	Description
		C	The Project is compliant with the relevant section of the Act, or there is no issue.
		IP	Improvement possibility, or actions not yet complete.
		RA	Recommended actions to improve compliance, or an element of risk to consider.
			Landscape Architecture, Planning and Project Management within Local Government. There is a project plan in place.
Sale or Disposition of Land	S48 (2)(j)	C	There is no sale of land involved in this Project.
Qualifications of Author	S48 (4)	C	The experience and qualifications of the lead author and associated firm are included in Appendix B.
Independence of Author	S48 (4a) & S48 (6a) & S48 (6c)	C	The lead author and the firm UHY Haines Norton declare they have no interest or conflict of interest in the Project and are independent
Council Consideration of the Report	S48 (4b)	C	December 2023 This report will be presented to Council's Audit & Risk Committee in December 2023, and then to the Council at a following meeting
Public Inspection of the Report	S48(6)	C	There is no reason to prevent the disclosure of this report.

SPECIFIC PROJECT DOCUMENTATION & RELATED POLICIES & PLANS

Several Council documents have been accessed and considered in compiling this report. The associated documents and relevant plans are listed below.

- Annual Business Plan 2022-2023
- Asset Management Plan – Buildings Infrastructure - 2020
- Business Case – Payneham Memorial Swimming Centre Redevelopment – January 2021
- City Plan 2030: Shaping Our Future – Mid Term Review 2020
- Cost Estimate Reports
- Council reports, agendas and minutes
- Economic Development Strategy 2021-2026
- Governance Procurement Policy
- Local Government Infrastructure Partnership Program – Grant Funding Deed
- Long-Term Financial Plans
- Patterson Reserve Community & Recreation Precinct Masterplan Report – May 2021
- Plan SA – Decision Notification Form Granted for Planning Consent
- Project Management Plan
- REMPLAN Report – October 2022
- Risk Management Policy – October 2020
- Risk Management Procedure
- Risk Assessments
- Swimming Centres Long Term Strategy

ADDRESSING LEGISLATED PRUDENTIAL ISSUES

All discussion in this section relates to the legislated requirements of Section 48 of the Local Government Act 1999. There are no related regulations.

Prudential Policies

S48 (aa1) requires that a council develop and maintain prudential management policies, practices, and procedures for assessing projects.

S48 (a1) requires that these policies, practices and procedures are consistent with any regulations made for the purposes of this section.

The assessment of projects is to ensure that the Council:

- acts with due care, diligence, and foresight;
- identifies and manages risks associated with a project;
- makes informed decisions; and
- is accountable for the use of Council and other public resources.

The Council has an up-to-date Prudential Policy, which is available on its website.

C	S48 (aa1) Note: The Council's Prudential Policy is current and gives guidance on when the preparation of a Prudential Report is required.
C	S48 (a1) Note: There are currently no regulations relating to S48 of the <i>Local Government Act 1999</i> .

Requirement for a Prudential Report

S48 (1) requires the Council to obtain and consider a report that addresses the prudential issues set out in subsection (2) of S48 before the Council engages in any project where the expenses are calculated to be higher (for the next five years) than 20% of Council's operating expenditure (for the past five years) or where the expected capital cost of the project over the next five years will exceed \$4,000,000 (indexed), or where Council considers appropriate.

S48 (3) provides that a Prudential Report is not required for work in relation to road construction or maintenance, or drainage works.

S48 (6d) sets out the calculation of the indexing used to determine the current value of \$4,000,000.

Subsection (6d) states that the indexing of the \$4,000,000 commences on 1 January 2011 and is adjusted by CPI for the September quarter each year.

Indexing this figure to September 2022 results in a threshold of \$5,489,861.26.

The budget for the Project is \$24m, and the capital cost is expected to be at least \$28m, based upon the scope and cost estimates. This is above the threshold outlined in S48 (2). The Project is not road construction, road maintenance or drainage works. Therefore, the Project requires a Prudential Report.

C

S48 (1), S48 (3) and S48 (6d) Note: The Project is not for road construction, maintenance or drainage works and is above the Prudential threshold. Therefore, a Prudential Report is required.

Relationship to Strategic Management Plans

S48 (2) (a) requires the Prudential Report to address the relationship between the Project and relevant strategic management plans.

City Plan 2030

The redevelopment of the Payneham Memorial Swimming Centre assists in achieving the following Objectives and Strategies from the Council's Strategic Management Plan, *City Plan 2030: Shaping Our Future – Mid Term Review 2020*.

- Objective 1.1: Convenient and accessible services, information, and facilities.
 - Strategy 1.1.1: Establish community hubs that integrate social support, health, recreational and commercial services in multipurpose spaces.
 - Strategy 1.1.2: Maximise access to services, facilities, information, and activities.
 - Strategy 1.1.3: Design and provide safe, high-quality facilities and spaces for all people.
- Objective 1.4: A strong, healthy, resilient and inclusive community.
 - Strategy 1.4.1: Encourage physical activity and support mental health to achieve healthier lifestyles and well-being.
 - Strategy 1.4.3: Encourage the use of spaces and facilities for people to meet, share knowledge and connect with each other.
- Objective 3.2: Cosmopolitan business precincts contributing to the prosperity of the City.
 - Strategy 3.2.3: Promote the City as a visitor destination.

Annual Business Plan

The Payneham Memorial Swimming Centre Redevelopment is included in the Council's Annual Business Plan (ABP) for 2022-2023 at \$24m, with \$5.6m funded by the State Government through the Local Government Infrastructure Partnership Program.

Asset Management Plans

The Payneham Memorial Swimming Centre Redevelopment is included in the Council's 2020 Asset Management Plan – Buildings Infrastructure.

Long Term Financial Plan

The Project's impact on the Long-Term Financial Plan is discussed in the Recurrent and Whole-of-Life costs section of this report.

Other Council Strategies and Plans

Economic Development Strategy

The Council's *Economic Development Strategy 2021-2026* outlines the Council's strategic direction for economic development to strengthen and grow the local economy and support businesses.

- Objective: Increase the number of people who live, work and visit the City and enhance the community well-being of existing residents, workers and visitors
 - Strategy 2.1: Showcase and promote the City's attractions and events to facilitate growth in visitation and spending
 - Strategy 2.3: Facilitate the activation of key spaces and precincts in the City.

Swimming Centres Long-Term Strategy

The Council's *Swimming Centres Long Term Strategy* sets out the direction for the Norwood Swimming Centre and the Payneham Memorial Swimming Centre. The key components within the Strategy include:

- Retention of two outdoor pool facilities and providing diverse aquatic recreational opportunities, including:
 - Lap swimming;
 - Swim coaching/squads;
 - Learn to swim lessons;
 - Recreational aquatic play;
 - Aquatic fitness; and
 - Community and family gatherings.

C

S48 (2) (a) Note: The Project has a sound relationship with the Council's Strategic Plans and other Council plans and strategies.

Development Plan

S48 (2) (b) requires that the Prudential Report address the objectives of the Development Plan in the area where the Project is to occur.

In March 2021, the *Planning, Development and Infrastructure Act 2016* replaced the *Development Act 1993*. At this time, Council Development Plans were replaced by the *Statewide Planning and Design Code*.

The Project has been granted Planning Consent. The Authority is the City of Norwood Payneham & St Peters.

Building Consent was undertaken by Trento Fuller, who are part of the Council's Consultant Team.

Building Consent has been granted and Development Approval has been obtained.

C

S48 (2) (b) Note: Development approval has been obtained.

Economic Impact

S48 (2) (c) requires that the Prudential Report addresses the expected contribution of the Project to the economic development of the local area, the impact that the Project may have on businesses carried on in the proximity and, if appropriate, how the Project should be established in a way that ensures fair competition in the marketplace.

Economic Impact

The economic analysis contained within the Business Case estimates that a project cost of \$24m will result in a total benefit of \$47.541m with an increase in employment of 133.41 full-time equivalents (FTE) jobs, \$8.430m in wages and salaries and \$16.928m in value added.

Remplan has been used to undertake the economic analysis. This is a common economic modelling system which is used in Local Government. The Remplan analysis was updated in November 2023, based on a revised project costs of \$40m, \$45m and \$50m. We have considered the \$50m analysis as this appears to be closest to the expected cost of the project.

Update December 2023:

The Remplan forecast for a \$50m project indicates a total benefit of \$92.9m, an increase in employment of 235 FTE jobs, \$15.98m in wages and salaries and a value add of \$32m.

Impact on Businesses in the Area

The Council does not expect that the Project will negatively impact businesses in the area during construction.

The Council is aware that it is not to unfairly compete with private enterprises (i.e., private swim schools) under the *Government Business Enterprises Act 1996* and will take this into account when setting the fees and prices for access to and activities/services offered by the facility.

Ensuring Fair Competition in the Marketplace

Procurement will be undertaken in two stages. Stage 1 is a Registration of Interest (ROI) which was completed in 2022. Stage 2 is a Select Tender process which will be conducted between July to December 2023.

The Council has a *Procurement Policy & Procurement Policy Guidelines*, which are available on its website. The *Procurement Policy & Procurement Policy Guidelines* were adopted by the Council in August 2022, and will be due for review in July 2024.

The Council's *Procurement Policy & Procurement Policy Guidelines* provide for the Registration of Interest and Select Tender processes.

C

S48 (2) (c) Notes:

- The redevelopment will have a significant economic impact for the area.
- There is not expected to be any negative impact on businesses in the area during construction, nor any impact on competing businesses in the area once the Centre open and operating.
- The Council is following its Procurement Policy and Procurement Policy Guidelines.

Consultation

S48 (2) (d) requires that the Prudential Report addresses the level of consultation within the local community, including contact with persons who may be affected by the Project and the representations that they have made, and the means by which the community can influence or contribute to the Project or its outcomes.

Community Consultation

The Business Case states that Grant funding conditions restrict the available timeframe for community consultation for the Project. However, community consultation was undertaken as part of developing the *Swimming Centres Long Term Strategy*. We note that the consultation for the *Swimming Centres Long Term Strategy* extended from March to April 2017, and is almost six years old.

However, the Payneham Memorial Swimming Centre Redevelopment was included in the Council's Draft Annual Business Plan for 2022-2023, which was released for community consultation. In addition, the Council has undertaken consultation with key stakeholders including the Payneham and Norwood Swimming Clubs, the Department for Education and Royal Life Saving South Australia and incorporated the functional requirements of these organisations into the design.

C

S48 (2) (d) Note: The Council undertook consultation six years ago for the Swimming Centres Long Term Strategy, which might mean some elements may not be current. However, the Payneham Memorial Swimming Centre Redevelopment was included in the current Annual Business Plan consultation.

Project Financial Impact

Project Costs

The Council has considered the cost versus the benefit of refurbishing the 50m pool instead of building a new pool and determined that whilst a refurbished pool would be approximately \$600,000 lower in cost, the longevity of a new pool and lower long-term maintenance costs make building a new pool more financially prudent.

The project costs have been estimated by an international Cost Consulting firm with an office in Adelaide and experienced in a range of commercial and government projects.

The estimated total project costs as of 20 October 2022, is \$32,622,325 (ex GST) and will deliver all of the following elements:

- demolition of the existing swimming centre building, pools (outdoor 50 metre, learner's and wading) and associated infrastructure;
- a new swimming centre building with:
 - an entrance foyer and reception area;
 - a staff office area and breakroom;
 - a first aid room;
 - a kiosk/café;
 - male, female and unisex all-access changerooms with showers, toilets and lockers;
 - multipurpose rooms for swimming club and community use;
 - storage areas; and
 - a roof mounted solar panel system;
- an 11 x 20 metre indoor learner's pool;
- an 8 lane, 25 metre indoor lap pool;
- a 10 lane, 50 metre outdoor lap pool;
- a 14-metre-tall tower with two outdoor waterslides;

- an outdoor, zero-depth waterplay area;
- a plant room with pump and filtration systems; and
- shade shelters, picnic seating and barbecues.

The estimated project costs could be impacted by:

- the actual quantity of intermediate and low-level contaminated waste material which is required to be excavated, treated and/or disposed; and
- impacts due to price escalation or supply issues of:
 - timber;
 - structural steel;
 - steel reinforcement;
 - PVC pipes and fittings;
 - precast concrete;
 - electrical cables; and
 - electrical transformers.

The final costs will only be known once tenders are received. At that time, the Council can consider several options to manage the Project costs such as reducing the scope, changing the specifications, working with the preferred tenderer to achieve savings or not proceeding with the Project.

December 2023 update: Tenders received by Council indicate a revised construction cost of \$50m. The estimated total project cost inclusive of construction contingency, utility upgrades and connection allowance, CITB levy and professional fees is approximately \$56m.

Noted	Note: An experienced Cost Consulting firm has estimated project costs.
Noted	Note: Tenders received by Council indicate a revised construction cost of \$50m. The estimated total project cost inclusive of construction contingency, utility upgrades and connection allowance, CITB levy and professional fees is approximately \$56m.

Funding

The Council has secured *Local Government Infrastructure Partnership Program* Grant funding of \$5.6m for this project, which applies to the project's aquatic components, including the 25m pool, aquatic play equipment and plant room.

The remaining costs of the project will be sourced from borrowings undertaken by the Council through the Local Government Finance Authority.

Revenue Projections and Risk

S48 (2) (e) requires that the Prudential Report address the Project's revenue projections and potential financial risks.

The Council must abide by the grant funding agreement. Not abiding by this agreement could result in requiring grant funding to be returned.

There will be ongoing income from users of the pools. The Business Case has considered market trends, competitors such as swimming pools in other Local Government Areas and population growth and notes that the redeveloped Swimming Centre will meet a gap in the market by creating a year-round swimming facility for the Eastern Region, that includes a 50m outdoor pool, waterslides and

zero-depth waterplay area. The Business Case also noted that year-round use of the indoor 25m and learner's pools will provide additional water space to meet the demand for club and squad swimming and learn-to-swim programs. This analysis diminishes the risk of the Council not achieving ongoing user charge income from the pools.

December 2023 Update

Council staff have commenced modelling likely annual operational income from the pool. Council has also commenced reviewing its LTFP. Estimated annual operational income has been included in the draft LTFP.

C

S48 (2) (e) Note: The Council has successfully secured grant funding of \$5.6m. Market trends and competition have been analysed and considered, and there is ongoing historical income from the pools. This reduces the likelihood of diminished ongoing revenue.

December 2023 Update: Council staff have commenced modelling likely annual operational income from the pool. Council has also commenced reviewing its LTFP. Estimated annual operational income has been included in the draft LTFP.

Recurrent and Whole-of-Life costs

S48 (2) (f) requires that the Prudential Report address the recurrent and whole-of-life costs associated with the Project, including any costs arising from the proposed financial arrangements.

The Business Case includes a Profit and Loss and Cash Flow projection for the period ending 30 June 2031. The Business Case was prepared in January 2021 and included a number of assumptions. The following assumptions are affected by the changed economic situation as detailed below:

- Business Case inflation at 2.0%, the (Local Government Price Index) for Sept 2022 was 6.7%, and the CPI for Adelaide for Sept 2022 was 8.4%. Inflation is expected to be higher than 2% for the next few years.
- Business Case borrowing rate at 2.5%. Current Cash Advance Debenture rates with LGFA is 5.80% (2nd May 2023). As well as increased interest rates, increased capital costs will result in higher finance costs than forecast.
- That grant funding is received of 50% or \$10m of the estimated project costs. Actual Grant funding confirmed is \$5.6m.
- Depreciation is based on the capital expenditure of \$24m. The final capital costs will only be known once tenders are received. There is a significant trend in cost escalation at the moment brought about by a shortage of contractors and materials that will impact the final cost. Higher capital costs will increase depreciation costs.
- We note that the Employee expense line does not increase by inflation from 2029 to 2031.

The Business Case forecasts an operating deficit until 2028 and a surplus from 2029. Inflating the employee costs from 2029 to 2031, increasing inflation forecasts, finance costs, and depreciation will mean that it is unlikely that the Centre will create an ongoing surplus.

The Council's current LTFP includes the following:

- The Payneham Memorial Swimming Centre will be closed during construction and there will be an expected uplift in income and expenditure once the Centre is open;

- There will be limited impact due to the closure as the Council also has the Norwood Swimming Centre, and a number of programs will be relocated from the Payneham Memorial Swimming Centre to the Norwood Swimming Centre;
- The uplift in income and expenditure is expected in the 2024/25 financial year;
- A capital cost of \$24m, which is \$8.6m short of the new estimated project cost of \$32.6m. The Council is expecting delays in other capital projects, so the projects are not expected to occur concurrently, thereby minimising the effect on the LTFP; **(December 2023 Update:** The construction cost is expected to be \$50m with the total project estimated at \$56m)
- Depreciation is included on the capital cost of \$24m at an estimated 2%;
- The Cash Advance Debenture rate for borrowing is estimated at 4.5% (note the rate as of November 2023 is 6.05%); and
- Historical operating costs for the facilities are included in the LTFP.

December 2023 update:

The expected cost of \$56m will result in additional interest and depreciation costs. The original estimations of depreciation on \$24m at 2% was \$480,000 per year. Estimated depreciation on \$56m in addition to what is already included for the current pool will be \$1m per year.

Interest was included in the previous LTFP on \$24m at 5.80% being \$1.4m per year. Current LGFA interest rates are 6.05% for a Cash Advance Debenture or indicative rate of 6.50% for a fixed loan.

The Pool will be constructed over a 2-year period and Council will need to borrow over this time. This borrowing has been incorporated into the draft LTFP.

Revised depreciation, interest and estimated operational costs are included in the draft LTFP currently being considered by Council.

C	S48 (2) (f) Note: Recurrent costs have been identified.
RA	Note: (Updated) Council is currently reviewing its LTFP and depreciation, interest costs and estimated operational costs are included in the draft LTFP.

Project's Financial Viability and impact on the Financial Position of the Council

S48 (2) (g) requires that the Prudential Report address the Project's financial viability and the short and longer-term estimated net effect of the Project on the financial position of the Council.

In general, Council swimming pool facilities struggle to be profitable in financial terms. The Business Case sets out the Social, Economic and Health benefits expected from the redevelopment of the Payneham Memorial Swimming Centre.

The Council's LTFP considers the impact of all Council services on the longer-term financial position of the Council. The capital costs of the project and finance and depreciation costs were included in the Council's LTFP for a project cost of \$24m.

December 2023 Update

Council is currently reviewing its LTFP. The revised cost of \$56m for the pool, associated depreciation, interest and estimated annual operational income and costs are incorporated into the draft LTFP.

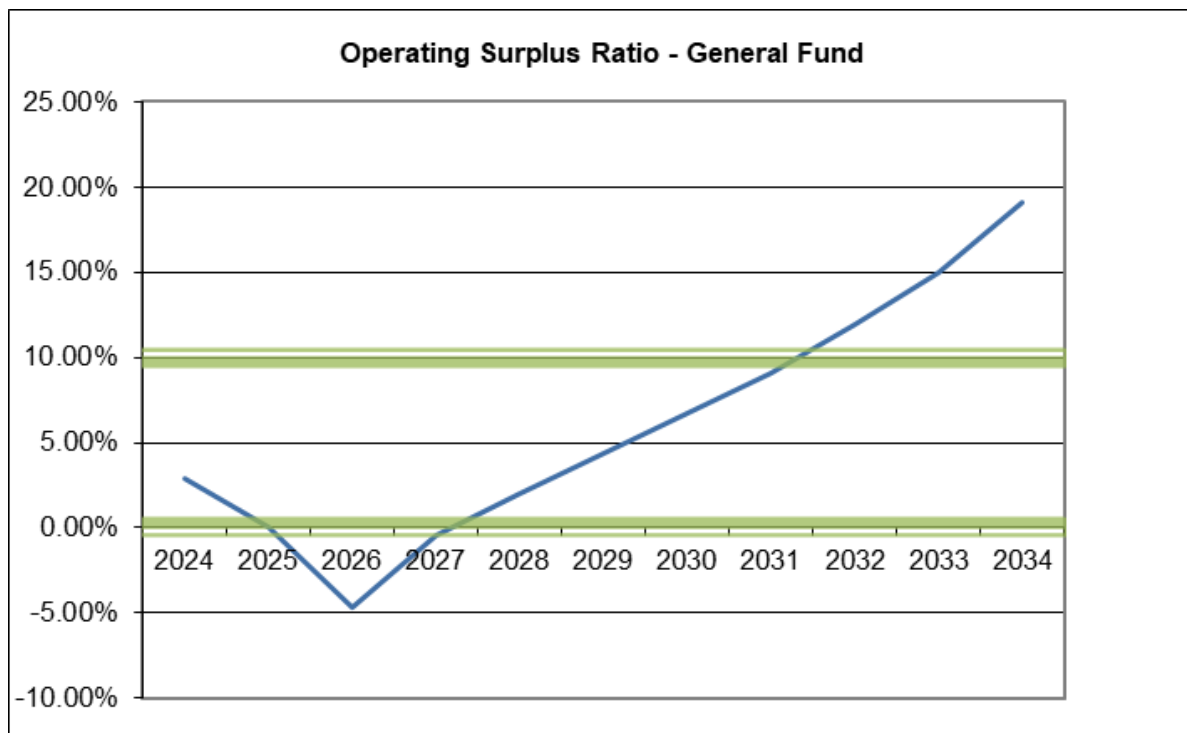
Operating Surplus Ratio

The Operating Surplus Ratio measures the difference between operating income and operating expenses for the year. An operating surplus arises when operating revenue exceeds operating expenses, and an operating deficit occurs when revenue is less than expenses.

The Operating Surplus Ratio expresses the operating surplus (or deficit) as a percentage of operating revenue.

The Council has a target range of an upper limit of 10%.

The draft LTFP currently being considered by Council shows that Council's Operating Surplus Ratio will go into deficit in 2026 but return to a break-even position in 2027 and improve from that point as shown in the graph below:



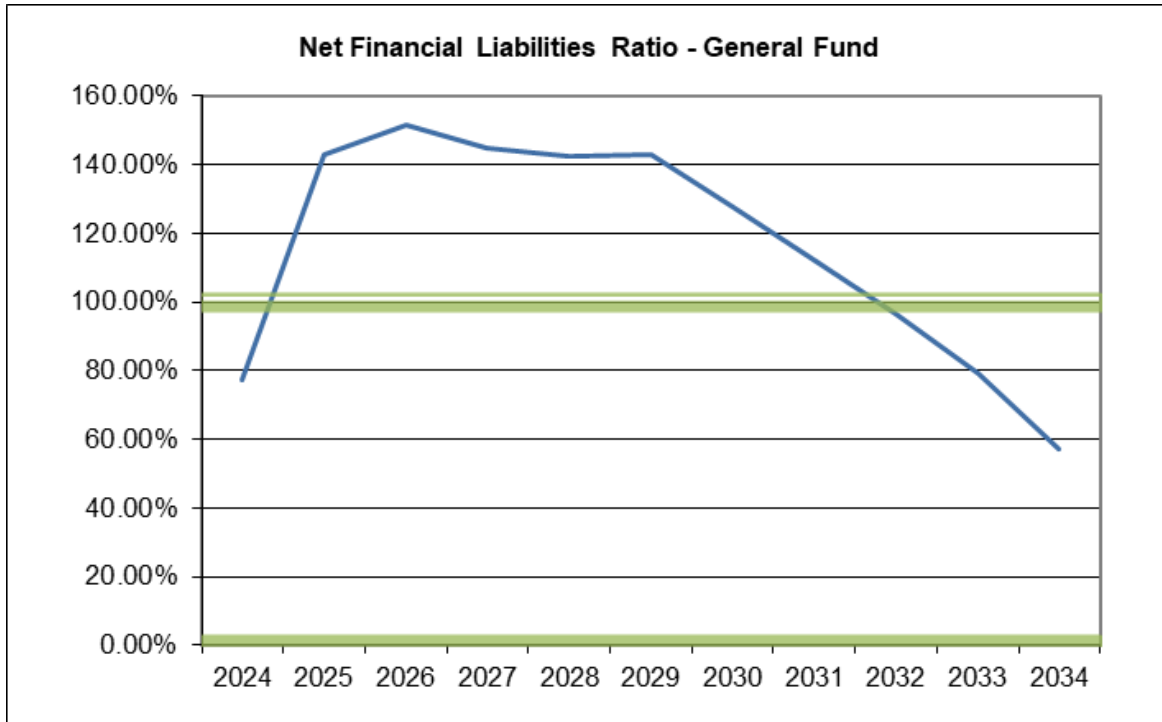
Net Financial Liabilities Ratio (NFL)

A positive ratio means a level of debt, whilst a negative ratio means the Council has more financial assets than liabilities.

This ratio is calculated using the Council's total liabilities less financial assets as a percentage of total operating income.

The Council has a maximum of 100% in its Long-Term Financial Plan.

The draft LTFP currently being considered by Council shows that Council's Net Financial Liabilities Ratio will peak at 151% in 2026 and reduce from that point onwards reaching Council's target of 100% by 2032 as shown in the graph below:



Asset Renewal Funding Ratio (previously Asset Sustainability Ratio)

This ratio is calculated using the Council's expenditure on renewal/replacement of assets as a percentage of the renewal levels required in the Asset Management Plans.

A ratio of 100% means that the Council is fully funding its Asset Management Plans.

The Council's target is a range between 90% and 110%.

Council will remain within its Asset Renewal Funding Ratio provided it continues to complete Asset Renewal work as required in its Asset Management Plans.

RA	<p>December 2023 Update – The draft LTFP currently being considered by Council includes the revised estimated pool cost and associated grant, depreciation, interest and estimated annual operational income and expenditure.</p> <p>The draft LTFP shows:</p> <p>The Operational Surplus Ratio will go into deficit in 2026 but return to a break-even position in 2027 and improve from that point.</p> <p>The Net Financial Liabilities Ratio will peak at 151% in 2026 and reduce from that point onwards reaching Council's target of 100% by 2032</p>
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Risks

S48 (2) (h) requires that the Prudential Report address the risks associated with the Project and the steps that can be taken to manage, reduce or eliminate those risks (including the provision of periodic reports to the Chief Executive Officer and the Council).

Council's Risk Framework

The Council has a *Risk Management Policy and Procedure* to guide the identification, assessment and management of risks. The *Risk Management Procedure* describes project risk as the risks associated with Project Management that will affect milestones connected to delivering a specific project.

The Council's Risk Likelihood and Consequence tables are included in **Appendix C**. Likelihood and Consequence are applied to the following Risk Matrix to determine the level of risk.

	Catastrophic	Major	Moderate	Minor	Insignificant
Almost Certain	Extreme 1	Extreme 4	High 8	High 10	Substantial 15
Likely	Extreme 2	Extreme 5	High 9	Substantial 14	Medium 20
Possible	Extreme 3	High 7	Substantial 13	Medium 19	Low 23
Unlikely	High 6	Substantial 12	Medium 17	Low 21	Low 24
Very Unlikely	Substantial 11	Medium 16	Medium 18	Low 22	Low 25

The Council's Risk Tolerance is set out in the following table:

Level	Endorsing Authority	Tolerance
Extreme	CEO / Elected Members	Intolerable – Exposure to the risk would normally be immediately discontinued except in extreme circumstances. The decision to tolerate residual risk at this level must be made by the CEO and/or the elected members.
High	General Managers	Intolerable without treatment – The decision to tolerate residual risk at this level must be made by the relevant General Manager. Risk controls must be applied as part of a documented risk management plan that is continuously monitored and reviewed.
Substantial	Managers	Tolerable with continual review – Unnecessary exposure to the risk must be discontinued as soon as is reasonably practicable and long-term exposure would only be considered in exceptional circumstances. The decision to tolerate residual risk at this level must be made by the relevant Manager / Event Organiser
Medium	Supervisor / Team Leader	Tolerable with periodic review – Exposure to the risk may continue provided it has been appropriately assessed, controlled and is subject to periodic review to ensure the risk does not increase. The decision to tolerate residual risk at this level must be made by relevant Supervisor and/or Team Leader.
Low	Worker	Acceptable with Periodic Review – Exposure to the threat is acceptable for Team Members / Workers without additional risk controls but is subject to periodic review to ensure the risk does not increase.

Risk Assessments

The Project Risk Register is attached in **Appendix D**.

The risk identification, assessment and mitigating controls seem reasonable and aligns with the Council's Risk Framework.

RA	<p>S48 (2) (h) Note: The Risk Register was updated in November 2023</p> <p>The Project Risk Register is reasonable and aligns with the Council's Risk Framework.</p> <p>There are a number of risks that remain at a high or extreme level with controls in place. The majority of these relate to the higher tender prices received and the need to revise the LTFP. Most of these will be resolved once Council adopts a revised LTFP. The other higher or extreme risks need to have continual monitoring including regular reporting to the CEO.</p>
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Project Management

S48 (2) (i) requires that the Prudential Report address the most appropriate mechanisms or arrangements for carrying out the Project.

Council staff will be managing the Project. These staff have professional qualifications and experience in Architecture, Landscape Architecture, Planning and Project Management within Local Government.

The Project Milestones are shown below.

TASK:	COMPLETE BY:	December Update
Design Consultancy	May 2023	May 2023
Tender	July 2023	July 2023
Building Consent	July 2023	July 2023
Development Approval	August 2023	August 2023
Report to Council and Approval	August 2023	December 2023
Award Contract	August 2023	December 2023
Contractor mobilisation	September 2023	January 2024
Construction	October 2023 to December 2024	February 2024 to December 2025

C	<p>S48 (2) (i) Note: The Project is being managed by Council staff who have professional qualifications and experience in Architecture, Landscape Architecture, Planning and Project Management within Local Government. There is a project plan in place.</p>
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Sale or Disposition of Land

S48 (2) (j) requires that the Prudential Report address the valuation of any land that will be sold or disposed of.

There is no sale of land involved in this Project.

C	<p>S48 (2) (j) Note: There is no sale of land involved in this Project.</p>
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Qualifications of Author

S48 (4) requires that the Prudential Report be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues of the Project.

UHY Haines Norton has been engaged to complete the Prudential Report with the lead author, Corinne Garrett, a firm employee.

Detailed information about UHY Haines Norton and the lead author can be found in **Appendix B**.

C

S48 (4) Note: The experience and qualifications of the lead author and associated firm are included in Appendix B.

Independence of Author

S48 (4a) requires that the Prudential Report must not be prepared by a person who has an interest in the relevant Project.

S48 (6a), S48 (6b) and S48 (6c) detail what an interest would be.

Neither the lead author, Corinne Garrett, nor the firm UHY Haines Norton has any interest or conflict of interest in this Project.

C

S48 (4a), S48 (6a), S48 (6b) and S48 (6c) Note: The lead author and the firm UHY Haines Norton declare they have no interest or conflict of interest in the Project and are independent.

Council Consideration of the Report

S48 (4b) requires that the Council must give reasonable consideration to a Prudential Report and must not delegate the requirement to do so.

This report will be presented to the Council's Audit & Risk Committee in early December 2023 and to the Council at a following meeting.

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Updated December 2023

S48 (4b) Note:

This report will be presented to Council's Audit & Risk Committee in early December 2023, and then to the Council at a following meeting

Public Inspection of the Report

S48 (6) allows the Council to protect its commercial value or avoid disclosing the financial affairs of a person by considering part or all of a Prudential Report in confidence and keeping associated documents in confidence.

This report will be available for inspection as part of the agendas of the Audit & Risk Committee and Council meetings.

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S48 (6) Note: There is no reason to prevent disclosure of this report.

APPENDIX A – Legislation Detail

Section 48 – Prudential requirements for certain activities.

- (aa1) A council must develop and maintain prudential management policies, practices, and procedures for the assessment of projects to ensure that the Council –
- (a) Acts with due care, diligence, and foresight; and
 - (b) Identifies and manages risks associated with a project; and
 - (c) Makes informed decisions; and
 - (d) Is accountable for the use of Council and other public resources.
- (a1) The prudential management policies, practices and procedures developed by the Council for the purposes of subsection (aa1) must be consistent with any regulations made for the purpose of this section.
- (1) Without limiting subsection (aa1), a council must obtain and consider a report that addresses the prudential issues set out in subsection (2) before the Council –
- (b) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership, or other similar body) –
 - (i) where the expected operating expenses calculated on an accrual basis of the Council over the ensuing five years is likely to exceed 20 percent of the Council's average annual operating expenses over the previous five financial years (as shown in the Council's financial statements); or
 - (ii) where the expected capital cost of the Project over the ensuing five years is likely to exceed \$4,000,000 (indexed); or
 - (iii) where the Council considers that it is necessary or appropriate.
- (2) the following are prudential issues for the purposes of subsection (1);
- (a) The relationship between the Project and relevant strategic management plans;
 - (b) The objectives of the Development Plan in the area where the Project is to occur.
 - (c) The expected contribution of the Project to the economic development of the local area, the impact that the Project may have on businesses carried on in the proximity and, if appropriate, how the Project should be established in a way that ensures fair competition in the marketplace.
 - (d) The level of consultation within the local community, including contact with persons who may be affected by the Project and the representations that have been made by them, and the means by which the community can influence or contribute to the Project or its outcomes.
 - (e) If the Project is intended to produce revenue, revenue projections and potential financial risks.
 - (f) The recurrent and whole-of-life costs associated with the Project including any costs arising out of proposed financial arrangements.

- (g) The financial viability of the Project and the short and longer term estimated net effect of the Project on the financial position of the Council.
 - (h) Any risks associated with the Project, and the steps that can be taken to manage, reduce or eliminate those risks (including by the provision of periodic reports to the chief executive officer and to the Council)
 - (i) The most appropriate mechanisms or arrangements for carrying out the Project.
 - (j) If the Project involves the sale or disposition of land, the valuation of the land by a qualified valuer under the *Land Valuers Act 1994*
- (2a) The fact that a project is to be undertaken in stages does not limit the operation of subsection (1)(b) in relation to the projects as a whole.
 - (3) A report is not required under subsection (1) in relation to-
 - (a) road construction or maintenance; or
 - (b) drainage works.
 - (4) A report under subsection (1) must be prepared by a person whom the Council reasonably believes to be qualified to address the prudential issues set out in subsection (2)
 - (4a) A report under subsection (1) must not be prepared by a person who has an interest in the relevant Project (but may be prepared by a person who is an employee of the Council).
 - (4b) A council must give reasonable consideration to a report under subsection (1) (and must not delegate the requirement to do so under this subsection)
 - (6) However, a council may take steps to prevent the disclosure of specific information in order to protect its commercial value or to avoid disclosing the financial affairs of a person (other than the Council).
 - (6a) For the purposes of subsection (4a) a person has an interest in a project if the person, or a person with whom the person is closely associated, would receive or have a reasonable expectation of receiving a direct or indirect pecuniary benefit or a non-pecuniary benefit or suffer or have a reasonable expectation of suffering a direct or indirect detriment or a non-pecuniary detriment if the Project were to proceed.
 - (6b) A person is closely associated with another person (the relevant person)
 - (a) If that person is a body corporate of which the relevant person is a director or a member of the governing body; or
 - (b) If that person is a proprietary company in which the relevant person is a shareholder; or
 - (c) If that person is a beneficiary under a trust or an object of a discretionary trust of which the relevant person is a trustee; or
 - (d) If that person is a partner of the relevant person; or
 - (e) If that person is the employer or an employee of the relevant person; or
 - (f) if that person is a person for whom the relevant person has received or might reasonably be expected to receive a fee, commission, or other reward for providing professional or other services; or
 - (g) If that person is a relative of the relevant person.

- (6c) However a person or a person closely associated with another person will not be regarded as having an interest in a matter:
- (a) By virtue only of the fact that the person
 - (i) Is a ratepayer, elector, or resident in the area of the Council; or
 - (ii) is a member of a non-profit association, other than where the person is a member of the governing body of the association or organisations or
 - (b) In a prescribed circumstance.
- (6d) In this section, \$4,000,000 (indexed) means that that amount is to be adjusted for the purposes of this section on 1 January of each year, starting on 1 January 2011, by multiplying the amount by a proportion obtained by dividing the CPI for the September quarter of the immediately preceding year by the CPI for the September quarter 2009.
- (6e) In this section –
- Employee** of a council includes a person working for the Council on a temporary basis;
- Non-profit association** means a body (whether corporate or unincorporated) –
- (a) That does not have as its principal object or 1 of its principal objects the carrying on of a trade or the making of a profit; and
 - (b) That is so constituted that its profits (if any) must be applied towards the purposes for which it is established and may not be distributed to its members.
- (7) The provisions of this section extend to subsidiaries as if a subsidiary were a council subject to any modifications, exclusions or additions prescribed by the regulations.

APPENDIX B – UHY Haines Norton

UHY Haines Norton Adelaide is a respected firm of Chartered Accountants and Consultants. The antecedents have provided extensive professional services to clients in various industries, including Local Government, for nearly 70 years.

The firm is part of the Australasian UHY Haines Norton network. Across each of our independent offices, partners and staff provide various mainstream and specialist services to clients across many market segments in the public and private sectors. The network is structured to share experience and resources for the benefit of our clients.

The Adelaide firm has one managing partner and twenty staff who combine experience gained in Australia and overseas both within the firm and from employment with major international accounting firms. Our philosophy is to provide informed professional advice and practical services. We also aim to provide direct contact between the most senior members of our firm and the management groups of our clients.

The firm has extensive specialist skills in servicing Local Government entities in various areas, including financial management, financial reporting, governance, internal and external audit, risk management, due diligence, and prudential reports.

Our lead author for this report is Corinne Garrett, Local Government Consulting Manager. Corinne's qualifications and experience are detailed below.

Qualifications

- Master of Laws, Enterprise Governance – Bond University
- Graduate Certificate in Internal Auditing, -Institute of Internal Auditors
- Bachelor of Business (Financial Planning), RMIT
- Diploma AICD Company Directors Course, -Australian Institute Company Directors
- Executive Management Program, SA Local Government Managers Association
- Professional Management Program, the University of Adelaide, Graduate School of Business
- Auditing Occupational Health and Safety Management Systems, SAI Global
- Management Systems Auditing, SAI Global

Professional Memberships

- AICD Member, Australian Institute of Company Directors
- IIA Professional Member, The Institute of Internal Auditors Australia
- FIPA Fellow, Institute of Public Accountants
- RMIA Risk Management Institute of Australasia

Experience

Corinne has been with our firm since 2012, following an extensive career in Local Government spanning over 28 years. She has in-depth knowledge of financial management processes, procedures, and risk management.

Corinne oversees the Local Government Consulting division of UHY Haines Norton Adelaide. She has a wealth of experience in this sector, which provides her with a clear understanding of the legislative and compliance processes and requirements faced in the sector.

Corinne's experience spans governance, finance, administration, and strategic planning. Corinne has experience developing annual business plans, annual reports, and community consultation material. She has also worked closely with elected members of Local Government and Audit Committees, developing and implementing long-term financial plans, policies, and compliance measures.

Corinne also has a deep understanding of the vital role of internal and external audits in organisations and audit committees. She has had extensive involvement in working with audit committees and ensuring critical review areas are undertaken to assist the committee in discharging their obligations.

Corinne has undertaken an extensive range of projects in the Local Government, including:

- Section 48 Prudential Reviews
- Rating Procedures
- Rating Reviews
- Financial Management – Overview, mentoring, training, reporting, budgeting
- Analysis of Costs and Services
- Internal Financial Controls Reviews
- Internal Audits
- Development of Risk Management Framework and Business Continuity Plan
- Business Analyst Projects
- Assessment of financial risks, creation of workflows, procedure and financial reporting, Annual Business Plans and Budget Development
- Review of Information Technology Capacity
- Review of Long-Term Financial Plans
- Training Programs on Financial Management – LGA and Municipal Training
- Elected Member training in finance and budgeting for fifteen councils.

Corinne is a past member of the Revenue Professionals Board and an independent member of Audit Committees for the City of Onkaparinga and Highbury Landfill Authority, an Independent Chair of the Audit Committee for the City of Prospect, and a member and Vice Chair of the SA Chapter Committee of the Australian Institute of Internal Auditors. Corinne was a Board Member of Statewide Superannuation until its merger with Hostplus at the end of April 2022 and remains a member of the Transition Committee for Hostplus.

APPENDIX C – Council's Risk Tables

Risk Types

Risk Type	Description
Strategic	<p>Risks associated with high level strategic goals that align to the Council's Strategic, Annual and Business Plans. Strategic risks may affect the achievement of the Council's corporate objectives. They are key issues for the management and impinge on the whole business rather than a business unit. These risks can be triggered from within the business or externally.</p> <p>In other words, they may prevent the organisation from achieving its strategic goals.</p>
Operational	Risks associated with departmental functions and daily operations to deliver essential services. Often the risks are cost overruns, supply chain/logistic issues, employee issues, fraud, WHS, non-compliance to policies and procedures.
Project	Risks associated with Project Management that will affect milestones connected to delivering a specific project.

Risk Categories

Category	Description
People	Risks relating to personal safety, morale and workforce management. Includes payroll issues.
Financial	Risks associated with budgetary requirements, allocation and costs associated with maintenance / repair of plant, infrastructure and equipment
Services / Programs	Risks linked to the Council's ability to successfully deliver essential services and/or achieve objectives
Reputation	Risks associated with the delivery of State/Local Government legislation and meeting the Council's overall strategic goals
Environment	The risks arising from the management of the environment when applying the Council services and functions
Regulatory	Risks relating to compliance with legislative and policy framework

Risk Likelihood

Level	Probability	Description
Almost Certain	1 in 10	Is expected to occur in most circumstances. Frequent or regular occurrence
Likely	1 in 100	Will probably occur in most circumstances. Has occurred several times before
Possible	1 in 1000	Could occur at some time. Is sporadic but not uncommon
Unlikely	1 in 10,000	Not likely to occur during the event. Would require a combination of circumstances for it to occur
Very Unlikely	1 in 100,000	Would only occur in exceptional circumstances

Risk Consequences

Impact Category	Consequence (Impact) Level				
	Catastrophic	Major	Moderate	Minor	Insignificant
People	Incident resulting in death, permanent disability or Multiple Serious Personal Injury (SPI). High staff turn-over and/or loss of multiple senior staff members	Incident resulting in SPI and long-term disability (>30 days) Wide-spread morale issues Multiple staff vacancies throughout Team or loss of senior staff member	Incident resulting in SPI requiring immediate admission to hospital for treatment or short-term disability (<30 days) Staff vacancies from one area	Incident resulting in injury requiring follow-up medical treatment Localised poor moral Key staff absence >2 days	Incident resulting in MPI requiring First Aid Treatment only Short-term drop-in morale Short term staffing vacancy
Financial	Over \$1 Million or >35% of project budget	\$500k – \$1 Million or 25-35% of project budget	\$250k - \$500k or 15-24% of project budget	\$5k - \$250k or 5-14% of project budget	<\$5,000 or <5% project budget
Services / Programs	>90% service disruption Multiple community impacts	51-90% service disruption (between 1-2 days) Significant staff effort to resolve	11-50% service disruption Specific management effort / focus (< 1 day),	< 10% service disruption Management effort required to coordinate resolution	Minor disruption to service delivery (< 4 hours) Local Supervisor to control remediation
Reputation	Potential National Media attention. Major public outcry Irreparable damage to reputation	Regional or Statewide media / political attention Widespread public interest Significant complaints (11+)	Significant local media / political attention Local Community interest 5-10 complaints	Moderate local media attention. Community Concern – little adverse effect 3-5 complaints	Some local media interest 1-2 complaints
Environment	Major environmental impact Irrecoverable environmental damage	Environmental damage affecting portion of the City Long term issue	Environmental damage restricted to localised area Medium term issue	Minor environmental damage restricted to immediate area requiring coordinated response	Minor short-term environmental impact Response coordinated by local business units
Regulatory	Non-compliance results in exposing Council to severe penalties and litigation.	Non-compliance results in penalties being applied.	Medium term non-compliance Regulator involved; findings / penalties are possible	Some temporary minor non-compliance that can be rectified within 48 hours No penalties	Very minor regulatory or statutory breaches which can be quickly resolved internally

APPENDIX D – Project Risk Assessment



Department:	Infrastructure & Major Projects	Project Name:	Payneham Memorial Swimming Centre	Date Created:	28-Nov-22
Section / Unit:	City Projects	Project Description:	Demolition of existing Swimming Centre and construction of new building, indoor 25 metre and learner's pools, an outdoor 50 metre pool, water play area and water slides	Date Revised :	7-Nov-23
Location:	OG Road, Felixstow			Revised by	J Barnes & P Wollington
Project Manager:	Manager, City Projects			Budget:	\$24 million

Risk #	Risk Consequence (What, When & Why)	INHERENT CONTROLS & RISKS					ADDITIONAL CONTROLS NEEDED		RESIDUAL RISK			Risk Owner(s) (Who is Responsible)		
		Risk Consequence (Simple description - i.e. what the outcome will be?)	Existing Likelihood Controls	Existing Impact Controls	Likelihood (See definitions)	Impact Level (See Impact Definitions)	Inherent Risk Level (Link to Risk Matrix)	Additional Likelihood Controls	Additional Impact Controls	Revised Likelihood (See definitions)	Revised Impact Level (See Impact Definitions)		Residual Risk Level (Link to Risk Matrix)	
1	Tendered prices are in excess of the Council's existing budget	People	<ul style="list-style-type: none"> Prepare Prudential Management Report Procurement process, risk assessment identifying contingency needs Prepare detailed cost estimator Adjust the timing of tender in consultation with builders to maximise competition 		Almost Certain	People	<ul style="list-style-type: none"> Work with tenderers to identify cost savings Cost consultant to review tender prices Ensure clear and comprehensive reporting to Council with options to increase budget (e.g. additional borrowings, rate increase) or reduce and/or adjust the scope 	<ul style="list-style-type: none"> Increase budget Reduce or adjust scope 	Almost Certain	People	<ul style="list-style-type: none"> High 10 High 10 High 8 	CEO		
		Financial				additional funding required				Catastrophic			Extreme 1	Minor
		Services				project aborted or delayed				Major			Extreme 4	Minor
		Reputation				local / state media coverage				Major			Extreme 4	Moderate
		Environment												
		Regulatory												
2	Design cannot achieve an acceptable Project outcome within the Council's existing budget	People	<ul style="list-style-type: none"> Prepare Prudential Management Report Procurement process, risk assessment identifying contingency needs Prepare detailed cost estimator Identify cost savings 		Almost Certain	People	<ul style="list-style-type: none"> Work with tenderers to identify cost savings Ensure clear and comprehensive reporting to Council with options to increase budget (e.g. additional borrowings, rate increase) or reduce and/or adjust the scope 	<ul style="list-style-type: none"> Increase budget Adjust scope 	Almost Certain	People	<ul style="list-style-type: none"> High 10 High 10 	CEO		
		Financial												
		Services				project aborted or delayed / scope reductions				Major			Extreme 4	Minor
		Reputation				local / state media coverage				Major			Extreme 4	Minor
		Environment												
		Regulatory												
3	Conditions of state government grant funding not being met	People	<ul style="list-style-type: none"> Liaising with State Government re: program and providing regular updates 		Possible	People	<ul style="list-style-type: none"> Amend Grant with Minister's approval (required prior to contract execution) Utilise contractor's program to update realistic milestones Ensure funding deed requirements are included in the contract Maintain regular communications with State Government during works, including approval of project communications 		Unlikely	People	<ul style="list-style-type: none"> Substantial 12 Substantial 12 Medium 17 	GM, Infrastructure & Major Projects		
		Financial				Council loses grant				Major			High 7	Major
		Services				Project cannot proceed				Major			High 7	Major
		Reputation				local / state media coverage				Moderate			Substantial 13	Moderate
		Environment												
		Regulatory												
4	Escalating costs / inflation in tender prices	People	<ul style="list-style-type: none"> Adjust the timing of tender in consultation with builders to maximise competition Lump sum tender procurement method 		Likely	People	<ul style="list-style-type: none"> Work with tenderers to identify escalation risks and controls Execute a Fixed Lump Sum Price contract that isn't subject to rise and fall Ensure early procurement of goods and materials by contractor 		Possible	People	<ul style="list-style-type: none"> Medium 13 	Manager, City Projects		
		Financial				variations				Minor			Substantial 14	Minor
		Services												
		Reputation												
		Environment												
		Regulatory												

Risk #	Risk Consequence (What, When & Why)	INHERENT CONTROLS & RISKS					ADDITIONAL CONTROLS NEEDED		RESIDUAL RISK			Risk Owner(s) (Who is Responsible)	
		Existing Likelihood Controls	Existing Impact Controls	Likelihood (See definitions)	Impact Level (See Impact Definitions)	Inherent Risk Level (Link to Risk Matrix)	Additional Likelihood Controls	Additional Impact Controls	Revised Likelihood (See definitions)	Revised Impact Level (See Impact Definitions)	Residual Risk Level (Link to Risk Matrix)		
5	Non-compliance with Aquatic facility safety standards and operational requirements	People		Unlikely	People		<ul style="list-style-type: none"> obtain building certification engage suitable superintendent builder to get RLSSA check on D&C elements (e.g. slide) Ensure testing and commissioning, training and handover is undertaken in accordance with the contract 	Very Unlikely	People		Manager, City Projects		
		Financial	variations, increased operational costs		Financial	Minor			Low 21	Financial		Minor	Low 22
		Services	limitations on use		Services	Major			Substantial 12	Services		Major	Medium 16
		Reputation	local / state media coverage		Reputation	Moderate			Medium 17	Reputation		Moderate	Medium 18
		Environment			Environment					Environment			
		Regulatory			Regulatory					Regulatory			
6	Prudential report recommends not to proceed with the project or spend additional unbudgeted funds	People		Possible	People		<ul style="list-style-type: none"> Prudential report to be presented to audit committee and Council Prudential report to be revised following tender Council to review LTFP and delivery of future projects 	Unlikely	People		CEO		
		Financial			Financial					Financial			
		Services	project doesn't proceed		Services	Major			High 7	Services		Major	Substantial 12
		Reputation	local / state media coverage		Reputation	Moderate			Substantial 13	Reputation		Moderate	Medium 17
		Environment			Environment					Environment			
		Regulatory			Regulatory					Regulatory			
7	Shortage of staff resources to operate the PMSC post construction	People	staff vacancies	Likely	People	Moderate	High 3	<ul style="list-style-type: none"> Develop and implement a staff recruitment and retention plan Provide operational training courses to PMSC staff Include adequate time for testing and commissioning prior to opening Investigate outsourcing operating model as an option 	Unlikely	People	Moderate	Medium 17	CEO
		Financial			Financial					Financial			
		Services	limitations on facility use		Services	Major	Extreme 5			Services	Major	Substantial 12	
		Reputation	local / state media coverage		Reputation	Moderate	High 3			Reputation	Moderate	Medium 17	
		Environment			Environment					Environment			
		Regulatory			Regulatory					Regulatory			
8	Inadequate / Improper Asset Maintenance and Renewal	People		Possible	People		<ul style="list-style-type: none"> Maintenance and Operations Manuals to be provided by Contractor Assets to be registered and included in Council's annual maintenance program Confirm warranty items and periods for contract award Ensure warranties provided at PC match the contract requirements 	Unlikely	People		GM, Infrastructure & Major Projects		
		Financial	Increased operational / unplanned maintenance costs		Financial	Minor			Medium 13	Financial		Minor	Low 21
		Services	limitations on facility use		Services	Major			High 7	Services		Major	Substantial 12
		Reputation	local / state media coverage		Reputation	Moderate			Substantial 13	Reputation		Moderate	Medium 17
		Environment			Environment					Environment			
		Regulatory			Regulatory					Regulatory			
9	Latent conditions and existing services not identified	People		Possible	People		<ul style="list-style-type: none"> Provide all reports to tenders for information Provide clear contract definitions and controls regarding latent conditions 	Possible	People		Manager, City Projects		
		Financial	variations increasing costs		Financial	Moderate			Substantial 13	Financial		Minor	Medium 13
		Services			Services					Services			
		Reputation			Reputation					Reputation			
		Environment			Environment					Environment			
		Regulatory			Regulatory					Regulatory			

Risk #	Risk Description (What, When & Why)	INHERENT CONTROLS & RISKS						ADDITIONAL CONTROLS NEEDED		RESIDUAL RISK			Risk Owner(s) (Who is Responsible)	
		Risk Consequence (Simple description - i.e. what the outcome will be?)		Existing Likelihood Controls	Existing Impact Controls	Likelihood (See definitions)	Impact Level (See Impact Definitions)	Inherent Risk Level (Link to Risk Matrix)	Additional Likelihood Controls	Additional Impact Controls	Revised Likelihood (See definitions)	Revised Impact Level (See Impact Definitions)		Residual Risk Level (Link to Risk Matrix)
10	Asbestos or contaminated materials found on site	People	human exposure	<ul style="list-style-type: none"> Identify asbestos from building register Undertake contamination testing Develop Construction Environmental Management Plan Undertake additional site investigations for asbestos pipes 	Likely	People	Minor	<ul style="list-style-type: none"> Implementation of Construction Environmental Management Plan required by the contract 	Likely	People	Insignificant	Medium 20	Manager, City Projects	
		Financial	variations increasing costs			Financial	Minor			Substantial 14	Financial	Insignificant		Medium 20
		Services				Services					Services			
		Reputation	local / state media coverage			Reputation	Moderate			High 9	Reputation	Insignificant		Medium 20
		Environment				Environment					Environment			
		Regulatory				Regulatory					Regulatory			
11	Damage to a regulated tree	People		<ul style="list-style-type: none"> Obtain development approval Prepare tree protection plan 	Possible	People		<ul style="list-style-type: none"> requirements in contract docs to: Safeguard regulated tree to avoid damage caused by construction. Utilize arborist to supervise works near regulated trees 	Possible	People			Manager, City Projects	
		Financial	fine to Council or Contractor			Financial	Insignificant			Low 23	Financial	Insignificant		Low 23
		Services				Services					Services			
		Reputation	local community interest			Reputation	Moderate			Substantial 13	Reputation	Insignificant		Low 23
		Environment	Loss of habitat / canopy or death of tree			Environment	Moderate			Substantial 13	Environment	Insignificant		Low 23
		Regulatory				Regulatory					Regulatory			
12	Adverse environmental impacts on Patterson Reserve Precinct	People		<ul style="list-style-type: none"> Contractual requirements Assess environmental accreditation of contractors 	Possible	People		<ul style="list-style-type: none"> Superintendent to ensure dust, sediment, noise and other nuisances are kept within EPA guidelines during construction per contract requirements 	Possible	People			Manager, City Projects	
		Financial	variations			Financial	Minor			Medium 19	Financial	Insignificant		Low 23
		Services	Staff resources to control remediation			Services	Insignificant			Low 23	Services	Insignificant		Low 23
		Reputation	local community interest			Reputation	Moderate			Substantial 13	Reputation	Minor		Medium 19
		Environment	dust, sediment, noise affecting residents and businesses			Environment	Minor			Medium 19	Environment	Insignificant		Low 23
		Regulatory				Regulatory					Regulatory			
13	Incorrect / unrealistic public expectations	People		<ul style="list-style-type: none"> add project information to website install project information signage provide project information in Look East and other Council publications 	Likely	People		<ul style="list-style-type: none"> continue to update website and provide information in Council publications Letterbox residents in local area with regular updates Keep elected members informed via monthly updates Develop and implement a comprehensive project communications plan 	Possible	People			CEO	
		Financial				Financial					Financial			
		Services				Services					Services			
		Reputation	local community interest			Reputation	Moderate			High 9	Reputation	Moderate		Substantial 13
		Environment				Environment					Environment			
		Regulatory				Regulatory					Regulatory			
14	Inadequate car parking for users following redevelopment	People		<ul style="list-style-type: none"> include additional car parking near Library in project scope discuss future car park use with adjacent landowner 	Likely	People		<ul style="list-style-type: none"> negotiate with adjoining owner to gain access to adjacent unused carpark for interim 	Possible	People			CEO	
		Financial	loss of revenue due to limited use of facility			Financial	Moderate			High 9	Financial	Insignificant		Low 23
		Services				Services					Services			
		Reputation	widespread community interest			Reputation	Major			Extreme 5	Reputation	Moderate		Substantial 13
		Environment				Environment					Environment			
		Regulatory				Regulatory					Regulatory			

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15	Changes in scope of project are not reconsidered against planning consent which delays the granting of Development Approval	People	* Private Certifier review of Planning Approved Plans vs Building Approved Plans should identify changes requiring approval * Ensure amended planning application is lodged	Very Unlikely	People	Minor	Low 22	* Obtain Development Approval	Very Unlikely	People	Insignificant	Low 25	Manager, City Projects
		Financial			Financial					Financial			
		Services			Services					Services			
		Reputation			Reputation					Reputation			
		Environment			Environment					Environment			
		Regulatory			Regulatory					Regulatory			
16	Conditions of Planning Consent (relating to approved plans, stormwater management and detention, tree protection use of driveways/carparks, landscaping plan) not adhered to	People	copy of conditions of Planning Consent with instructions to ensure sub consultants review and report back * Ensure amended planning application is lodged to deal with inconsistencies in conditions * Ensure landscape plan is prepared and lodged prior to DA	Unlikely	People	Minor	Low 21	* Provide DA to tenderers * Builder to obtain DA for D&C elements and to follow the conditions of the DA as part of the contract * Superintendent to administer the contract	Very Unlikely	People	Minor	Low 22	Manager, City Projects
		Financial			Financial					Financial			
		Services			Services					Services			
		Reputation			Reputation					Reputation			
		Environment			Environment					Environment			
		Regulatory			Regulatory					Regulatory			
17	Contractual Issues with Head Contractor	People	* Engage experienced contract law solicitors and project management consultants to prepare the contract and tender documents * Engage experienced superintendent who can act independently as per the contract when required * Tender/Contract documents to include all relevant reports/information (i.e. prelim site report, asbestos report, subsequent testing results, CEMP, RMP etc)	Possible	People	Major	High 7	* Undertake due diligence (financial and performance) investigations on the contractors prior to appointment * Undertake robust tender assessment including team, program, methodology, risks, etc	Unlikely	People	Moderate	Medium 17	Manager, City Projects
		Financial			Financial					Financial			
		Services			Services					Services			
		Reputation			Reputation					Reputation			
		Environment			Environment					Environment			
		Regulatory			Regulatory					Regulatory			
18	Contractor causes damage to surrounding properties - mainly Council owned i.e. Library building/carpark/trees, pool carpark and trees, footpaths, street trees/signage, stormwater infrastructure etc	People	cost of remediation/taking action/cost recovery	Possible	People	Minor	Medium 19	* regular on site inspections of surrounding council property to note any damages and raise ASAP with contractor * require contractor to undertake a dilapidation inspection and prepare a report to ensure the starting condition is identified	Unlikely	People	Minor	Low 21	Manager, City Projects
		Financial			Financial					Financial			
		Services			Services					Services			
		Reputation			Reputation					Reputation			
		Environment			Environment					Environment			
		Regulatory			Regulatory					Regulatory			

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20	Complaints about noise and truck traffic, etc (e.g. early morning concrete pours)	People			Likely	People		<ul style="list-style-type: none"> Ensure Contractor provides notices to surrounding properties and organizes trucks to be parked in areas where residents are less likely to be disturbed Council to include such details in the Communications Plan and post timely information on all available and relevant media Superintendent to administer contract 		Possible	People		Manager, City Projects		
		Financial		<ul style="list-style-type: none"> contract to stipulate standard working hours from 7am to 5pm on weekdays, and Saturdays 		Financial					Financial				
		Services				Services					Services				
		Reputation	community interest and resident complaints			Reputation	Minor				Substantial 14	Reputation		Minor	Medium 19
		Environment				Environment					Environment			Environment	
		Regulatory				Regulatory					Regulatory			Regulatory	
21	Activities on site affecting adjacent property tenant (DXC) who provides essential IT services for key/important State and Fed Government entities	People			Likely	People		<ul style="list-style-type: none"> Ensure the contract and specifications is clear on what is required of the contractor in regards to this matter. Liaise with DXC to undertake further vibration testing by contractor prior to Superintendent approving work method 		Possible	People		Manager, City Projects		
		Financial		<ul style="list-style-type: none"> Contractor required to adhere to EPA standards in relation to noise, dust and other environmental matters Undertake noise and vibration investigations to inform Council and DXC of the possible impacts. Engage with DXC to determine level of disturbance that may be created by site activities and then adjust work practices to suit. 		Financial					Financial				
		Services				Services					Services				
		Reputation	community interest and stakeholder complaint			Reputation	Minor				Substantial 14	Reputation		Minor	Medium 19
		Environment				Environment					Environment			Environment	
		Regulatory				Regulatory					Regulatory			Regulatory	
22	Negative sentiment in the community regarding the expenditure of funds and value for money and potential increase in project budget for the new swimming centre	People			Almost Certain	People		<ul style="list-style-type: none"> Development of strategic communications strategy to guide activities to occur at major milestones (including budget changes) Providing further information on the evolution of the project i.e., what happened after initial consultation on a possible refurbishment and Council's decision making process Promotion of new design and linkage to community feedback and market intelligence. 		Likely	People		CEO		
		Financial		<ul style="list-style-type: none"> Redevelopment announced via media release and information provided on the website. 		Financial					Financial				
		Services				Services					Services				
		Reputation	Reduced reputation and potential media attention and ongoing enquiries			Reputation	Major				Extreme 4	Reputation		Major	Extreme 5
		Environment				Environment					Environment			Environment	
		Regulatory				Regulatory					Regulatory			Regulatory	
23	Increased community frustration at closure of pool pre-construction and during construction delivery due to both the PMSC and North Adelaide Aquatic Centre being closed at the same time.	People			Likely	People		<ul style="list-style-type: none"> Keeping the community informed on progress of redevelopment via a range of channels and potentially undertaking site tours at later stages Work with other community facility pools to promote other available sites. Keep informed regarding North Adelaide progress to assist in managing communications. 		Possible	People		CEO		
		Financial		<ul style="list-style-type: none"> Provide information on new redevelopment and promotion of the Norwood Swimming Centre. 		Financial					Financial				
		Services				Services					Services				
		Reputation	Reduced reputation, ongoing complaints to Elected Members / Council			Reputation	Major				Extreme 5	Reputation		Major	High 7
		Environment				Environment					Environment			Environment	
		Regulatory				Regulatory					Regulatory			Regulatory	

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		Risk Consequence (Simple description - i.e. what the outcome will be?)	Existing Likelihood Controls	Existing Impact Controls	Likelihood (See definitions)	Impact Level (See Impact Definitions)	Inherent Risk Level (Link to Risk Matrix)	Additional Likelihood Controls	Additional Impact Controls	Revised Likelihood (See definitions)	Revised Impact Level (See Impact Definitions)	Residual Risk Level (Link to Risk Matrix)		
24	Redevelopment of the PMSC may highlight the Norwood Swimming Centre being outdated resulting in pressure from the community to upgrade.	People		<ul style="list-style-type: none"> Ongoing strategic asset planning for Norwood Swimming Centre and continued market positioning as a family friendly, intimate venue. Complete improvements to ensure operational for 3 to 5 more years 	Possible	People		<ul style="list-style-type: none"> Continued communication on the benefits of Norwood Swimming Centre. Invest in Norwood Swimming Pool Redevelopment or close down the pool 	Possible	People		CEO		
		Financial	Increased pressure to invest and greater impact to longer term budget forecast.			Financial	Major			High 7	Financial		Minor	Medium 19
		Services				Services				Services			Services	
		Reputation	Potential lobbying from community and negative media / ongoing complaints.			Reputation	Moderate			Substantial 13	Reputation		Moderate	Substantial 13
		Environment				Environment				Environment			Environment	
		Regulatory				Regulatory				Regulatory			Regulatory	
25	Cost for new PMSC impacts Council's long term financial position resulting in unacceptable constraints on services / capital works delivery.	People		<ul style="list-style-type: none"> Council review of the Long Term Financial Plan. Review of the Prudential Report to align with tender price Involvement of financial advisors and CFO to manage budget allocations. 	Likely	People		<ul style="list-style-type: none"> Establishment of cost controls during delivery of project and monitoring of expenditure in line with approved budget. Scope management that requires delegated authority sign-off on scope growth. Establishment of a commercial agreement that minimises Council's exposure to additional costs during Contract delivery. 	Possible	People		CEO		
		Financial	Impact to long term financial position.			Financial	Catastrophic			Extreme 2	Financial		Catastrophic	Extreme 3
		Services				Services				Services			Services	
		Reputation	Council are criticised for expenditure and impact to other activities.			Reputation	Major			Extreme 5	Reputation		Major	High 7
		Environment				Environment				Environment			Environment	
		Regulatory				Regulatory				Regulatory			Regulatory	
26	Internal communications between project delivery and operations manager does not support efficient planning and preparation for 'go live' (operations phase).	People	Operations team lack timely information to plan for a seamless transition into operations.	<ul style="list-style-type: none"> Staff briefings and ongoing subject matter meetings. 	Possible	People	Moderate	Substantial 13	<ul style="list-style-type: none"> Regular meetings to be held between Delivery and Op2 team and information shared on progress and timing to completion. Early identification of training requirements and staff to be involved in familiarisation activities. Monthly project report shared with Operations Senior Staff for information on progress. 	Unlikely	People	Moderate	Medium 17	Manager, City Projects
		Financial	The new PMSC is delayed in opening, resulting in reduced subsidy revenue.			Financial	Moderate	Substantial 13			Financial	Minor	Low 21	
		Services	Quality of service offering to the community is impacted negatively.			Services	Moderate	Substantial 13			Services	Moderate	Medium 17	
		Reputation	Community expectations on service levels and preparedness to operate the new facility are not met to acceptable standard.			Reputation	Major	High 7			Reputation	Moderate	Medium 17	
		Environment				Environment		Environment				Environment		
		Regulatory				Regulatory		Regulatory				Regulatory		
27	Build time for new PMSC exceeds expected program (from re-set baseline at Contract Award).	People		<ul style="list-style-type: none"> Specialist assessment of Tenderer programs to ensure confidence in build time and adequate contingency (with Contractor's program to inform future communications re timing). 	Possible	People		<ul style="list-style-type: none"> Program risk and contingency are considered and incorporated into the program Ongoing communication between project team and Comms Team regarding programme performance. Provision of advice to community regarding any changes to opening date, including website updates 	Unlikely	People		GM, Infrastructure & Major Projects		
		Financial				Financial				Financial				
		Services				Services				Services				
		Reputation	Community frustration and reduced confidence in Council to deliver major projects.			Reputation	Major			High 7	Reputation		Major	Substantial 12
		Environment				Environment				Environment			Environment	
		Regulatory				Regulatory				Regulatory			Regulatory	

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28	Reduced community confidence in Council's delivery capability.	People	Reduced community trust in Council and damaged credibility.	Existing communications regarding pool project progress.	Likely	Major	Extreme 5			Possible	People		Substantial 13	CEO
		Financial												
		Services												
		Reputation												
		Environment												
Regulatory														
29	Communications during tender period impacted by scope uncertainty / pending updated budget approval.	People	Information flow reduced creating uncertainty about delivery at community level.	Existing communications regarding pool project progress.	Almost Certain	Moderate	High 8			Possible	People		Substantial 13	CEO
		Financial												
		Services												
		Reputation												
		Environment												
Regulatory														
30	Councillors are not provided with project information that supports timely and effective decision making.	People	Decisions that impact scope or program impact overall cost of project.	* Steering Group created for procurement phase that report to Councillors. * Provision of key information to Councillors during procurement phase.	Possible	Moderate	Substantial 13			Unlikely	People		Medium 17	GM, Infrastructure & Major Projects
		Financial												
		Services												
		Reputation									Decisions affect project deliverables or milestones and community expectations are not met resulting in criticism / media attention / ongoing complaints.			
		Environment												
Regulatory														
31	Information or project messaging to community is inconsistent.	People	Negative impact to Council's reputation resulting in ongoing complaints.	Web page information available including updated timeline.	Possible	Moderate	Substantial 13			Unlikely	People		Medium 17	Manager, Communications & Stakeholder Engagement
		Financial												
		Services												
		Reputation												
		Environment												
Regulatory														

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32	Stakeholder management during delivery is not actively managed	People	Loss of revenue if key stakeholders decide to take up residence elsewhere.	Consultation and ongoing communications with the Swimming Clubs	Possible	Minor	Medium 19	• Develop community and stakeholder engagement strategy with assigned responsibilities (i.e., engagement for construction vs engagement with stakeholders to be involved in operational phase). • Build on initial stakeholder analysis to develop targeted approaches for engagement and provision of information. • Develop engagement program of activities based on strategy objectives.	Unlikely	People	Minor	Low 21	Manager, Communications & Stakeholder Engagement
		Financial								Financial			
		Services								Services			
		Reputation								Reputation			
		Environment								Environment			
		Regulatory								Regulatory			
33	Engagement and provision of information to library users is limited and does not provide early information on expected impacts to planned activities within the library.	People	Negative impact to Council's reputation in valuing library users.		Possible	Moderate	Substantial 19	• Engagement planning undertaken that acknowledges Contractor's program and impactful construction activities at the northern portion of the site. • Regular meetings established with Library manager to share upcoming works details to support communications planning for library users.	Unlikely	People	Moderate	Medium 17	Manager, City Projects
		Financial								Financial			
		Services								Services			
		Reputation								Reputation			
		Environment								Environment			
		Regulatory								Regulatory			